

November 4, 2011

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 11-42 - Lifeline and Link Up Reform and Modernization
CC Docket No. 96-45 - Federal-State Joint Board on Universal Service
WC Docket No. 03-109 - Lifeline and Link Up
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

This letter is submitted on behalf of TracFone Wireless, Inc. ("TracFone"). As the Commission continues to evaluate proposed changes to the Lifeline and Link Up programs in the above-captioned proceeding, we understand that potential changes to the Lifeline enrollment process remain under consideration. Among those proposals is the replacement of the current process for determination of applicants' program-based eligibility -- self-certification under penalty of perjury, with a requirement that applicants claiming eligibility based on enrollment in qualifying programs provide documentation of program enrollment (a process commonly referred to as "full certification").

Full Certification Should Not Be Required

TracFone opposes mandatory full certification and has explained the reasons for that opposition in previous submissions. As demonstrated in those prior filings, full certification would not prevent duplicate enrollment, and would not prevent unscrupulous applicants from submitting false documentation. ETCs have no ability to determine the legitimacy of documentation provided to them by Lifeline enrollment applicants. As TracFone has described in prior filings, in several states, TracFone has access to state-administered data bases of enrollment in qualifying programs. Those data bases confirm that the overwhelming portion of those customers who self-certified to their program-based eligibility are, in fact, enrolled in those programs. That high correlation between self-certification customers' eligibility and customer eligibility as determined by state data bases demonstrates that self-certification with the measures which TracFone has implemented (described below) works to prevent unqualified persons from enrolling in Lifeline.

What full certification would do (and what it already has done in those jurisdictions where it is currently required) is dramatically reduce the percentage of qualified low-income consumers who are able to complete the enrollment process. Many consumers do not have documentation of program enrollment readily available. Those that do have such documentation

often do not have access to copying machines, scanners, fax machines, and computers with Internet access, all necessary to send such documentation to their chosen ETC. Indeed, even the United States Postal Service has eliminated the public availability of copy machines and fax machines at post offices. That is why only about 30 percent of consumers who contact TracFone about Lifeline in Missouri (a full certification state) complete the enrollment process whereas in self-certification states more than 70 percent complete the process. (See letter from Mitchell F. Brecher to Marlene H. Dortch, filed in this proceeding, dated August 3, 2011).

The ultimate means for preventing enrollment of unqualified consumers is through establishment of and access to a national eligibility data base. TracFone has long supported development of such a national data base and looks forward to implementation of such a data base in the relatively near future. The Commission should avoid requiring full certification during the period prior to the data base becoming available since full certification would keep far too many qualified low income households out of the Lifeline program. During this interim period, TracFone believes that other, more appropriate means for preventing fraudulent enrollment of unqualified customers are available.

TracFone has largely prevented enrollment in its Lifeline program by non-qualified consumers by requiring applicants to provide four pieces of data: 1) name; 2) address; 3) date of birth; and 4) Social Security Number (last 4 digits). As explained in prior submissions, requiring Lifeline applicants to produce these data has significantly limited the numbers of applicants which TracFone enrolls. In fact, in 2011 year to date, TracFone has denied enrollment to more than 400,000 applicants due to their inability or refusal to provide these data. These denials have resulted in savings to the Universal Service Fund of approximately \$48 million. Based upon overall size of the Lifeline market, if all ETCs were required to obtain these data from all Lifeline applicants and did so, industry-wide savings could be about \$192 million per year. Requiring applicants to produce date of birth and Social Security Number (last 4 digits) further identifies the applicants and enables ETCs to confirm that applicants are who they claim to be. The fact that ETCs have the applicants' identifying information provides a significant disincentive to applicants falsely certifying their eligibility. In short, requiring all ETCs to collect date of birth and Social Security Number (last 4 digits) information from Lifeline applicants is a far more effective fraud prevention device than would be mandatory full certification.

The steps which TracFone has implemented described in the preceding paragraph have enabled TracFone to substantially limit improper enrollment of unqualified persons in its Lifeline program. In addition, there are steps which the Commission could take in cooperation with other governmental departments to ensure that only qualified low-income persons are receiving Lifeline benefits. For example, the Department of Health and Human Services' Food and Drug Administration has contracted with a private vendor, JP Morgan, to distribute Supplemental Nutritional Assistance Program (SNAP) cards in many states. That data base of SNAP-enrolled customers could be made available to ETCs to query whether Lifeline applicants are enrolled in SNAP (more Lifeline customers qualify for Lifeline through SNAP participation than through any other qualifying program). JP Morgan will not voluntarily allow access to that data base to

ETCs. For that reason, TracFone suggests that the Commission work cooperatively with FDA to have JP Morgan make that data base available to ETCs, subject to appropriate customer privacy safeguards. Availability to ETCs of the SNAP data base will enable ETCs to verify SNAP program-based eligibility pending availability of the national Lifeline eligibility data base.

A Cap on Lifeline Should Not Be Imposed

We also understand that the Commission is continuing to consider imposition of a cap on annual Lifeline expenditures from the USF. If a cap is adopted, once the cap amount is reached, ETCs providing Lifeline service will be forced to deny service to qualified low income consumers otherwise entitled to Lifeline support for no reason other than that the capped amount has been reached. TracFone opposes a cap on Lifeline funding and respectfully urges the Commission not to adopt this ill-advised idea. In a period of great economic difficulty with a higher percentage of Americans living at or below the poverty level than at any time in the nation's history, denial of important Lifeline assistance to qualified households based on when a low income household applies for assistance would be fundamentally at odds with the paramount purpose for the Lifeline program -- to enable all Americans (not just those who apply for Lifeline before the date that a cap is reached) to obtain affordable telecommunications services.

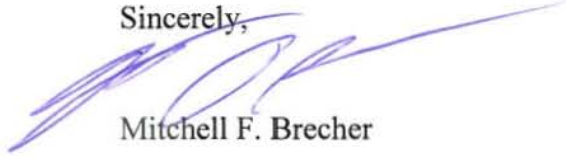
Moreover, a cap would not be necessary. As described in TracFone's *ex parte* presentation dated October 14, 2011, it has proposed four steps to reduce low income program expenditures: 1) elimination of Link Up support to wireless ETCs who do not use that support to offset their customary charges (*i.e.*, charges which are actually paid by all the ETC's customers) for commencement of service by connecting customers to their networks at the customer's principal place of residence as required by the Commission's Rules (47 C.F.R. § 54.411(a)); 2) mandatory collection of date of birth and Social Security Number (last 4 digits); 3) annual verification through self-certification of one hundred percent of each ETC's Lifeline customer base rather than limiting verification to a random sample; and 4) mandatory de-enrollment following 60 days of non-usage (for no charge, non-billed services) or 60 days of non-payment (for postpaid billed services). These four reforms alone would save approximately \$760 million per year. Implementation of those important money saving requirements would obviate any need for imposition of a draconian cap. Currently, only about thirty-three percent of qualified low income households receive Lifeline benefits. So long as the remaining sixty-seven percent of eligible households are not receiving Lifeline support, a cap on enrollment would be *prima facie* contrary to the public interest.

If, notwithstanding these reforms, the Commission believes that a cap is necessary, then such a cap should be set at a level sufficient to ensure that all qualified low income households who seek Lifeline assistance should be able to obtain that assistance. Such an annual cap should not be less than \$2.7 billion.

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Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. Please direct any questions regarding this letter to the undersigned.

Sincerely,



Mitchell F. Brecher

cc: Ms. Kimberly Scardino